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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

For Quarter Ended **March 31, 1992** Commission File Number **33-12533-b**

THE COMMERCE GROUP, INC.

(Exact name of registrant as specified in its charter)

Massachusetts	**04-2599931**
(State or other jurisdiction of Incorporation)	(IRS Employer Identification No.)

211 Main Street Webster, Massachusetts	**01570**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(508) 943-9000**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

As of May 8, 1992, the number of shares outstanding of the registrant's common stock was 9,446,301.

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The Commerce Group, Inc.

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THE COMMERCE GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Thousands of Dollars)

	March 31, 1992 (Unaudited)	December 31, 1991
ASSETS		
Investments:		
Fixed maturities, at amortized cost (market value: $354,747 in 1992 and $343,913 in 1991)	$ 348,980	$ 330,804
Equity securities, at market (cost: $26,067 in 1992 and $24,866 in 1991)	38,456	30,055
Mortgage loans on real estate (less allowance for possible loan losses of $4,136 in 1992 and $3,891 in 1991)	70,930	71,734
Collateral notes receivable	1,630	1,563
Investments in real estate	3,684	4,229
Total investments	463,680	438,385
Cash and cash equivalents	14,744	6,935
Accrued investment income	6,287	6,117
Premiums receivable (less allowance for doubtful receivables of $1,095 in 1992 and $1,073 in 1991)	104,814	58,068
Deferred policy acquisition costs	49,181	33,981
Property and equipment, net of accumulated depreciation	30,093	30,357
Due from reinsurers	53,593	-
Total assets	$ 722,392	$ 573,843
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Losses and loss adjustment expenses	$ 241,916	$ 228,657
Unearned premiums	207,625	126,154
Due to reinsurers	-	2,329
Income taxes payable	11,854	4,222
Deferred income	12,088	12,918
Other liabilities and accrued expenses	39,134	20,089
Total liabilities	512,617	392,369
Stockholders' equity		
Preferred stock, authorized 5,000,000 shares at $1.00 par value; none issued in 1992 and 1991	-	-
Common stock, authorized 20,000,000 shares at $.50 par value; issued and outstanding 9,550,000 shares in 1992 and 1991	4,775	4,775
Paid-in capital	28,945	28,945
Net unrealized gains on equity securities, net of income taxes of $4,212 in 1992 and $1,784 in 1991	8,178	3,425
Retained earnings	169,601	146,053
	211,499	183,198
Treasury stock, at cost, 183,699 shares in 1992 and 1991	(1,724)	(1,724)
Total stockholders' equity	209,775	181,474
Total liabilities and stockholders' equity	$ 722,392	$ 573,843

The accompanying notes are an integral part of these financial statements.

THE COMMERCE GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
Three Months Ended March 31, 1992 and 1991
(Thousands of Dollars Except Per Share Data)
(Unaudited)

	1992	1991
Revenues		
Insurance premiums earned	$ 86,210	$ 65,000
Net investment income	8,928	7,292
Premium finance fees	3,499	2,802
Realized investment gains (losses)	(1,578)	1,230
Total revenues	97,059	76,324
Expenses		
Losses and loss adjustment expenses	52,460	42,341
Policy acquisition costs	25,680	17,622
Interest expense	-	39
Depreciation and amortization	866	777
Total expenses	79,006	60,779
Earnings before income taxes and extraordinary gain on asset transfer agreements	18,053	15,545
Income taxes	4,954	4,679
Earnings before extraordinary gain on asset transfer agreements	13,099	10,866
Extraordinary gain on asset transfer agreements (net of applicable income taxes of $5,343)	10,449	-
NET EARNINGS	$ 23,548	$ 10,866
Earnings per share before extraordinary gain on asset transfer agreements	$ 1.38	$ 1.14*
Earnings per share on extraordinary gain on asset transfer agreements	1.11	-
NET EARNINGS PER SHARE	$ 2.49	$ 1.14*
Weighted Average Number of Shares Outstanding	9,446,391	9,550,861*

* Restated to reflect stock split.

The accompanying notes are an integral part of these financial statements.

THE COMMERCE GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Three Months Ended March 31, 1992 and 1991
(Thousands of Dollars)
(Unaudited)

	1992	1991
Cash flows from operating activities:		
Net earnings	$ 23,548	$ 10,866
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Deferred policy acquisition costs	(15,200)	(11,179)
Premiums receivable	(46,746)	(42,286)
Losses and loss adjustment expenses	13,259	16,516
Unearned premiums	83,471	61,137
Other liabilities and accrued expenses	19,045	13,747
Deferred income	(830)	610
Due from/to reinsurers	(55,922)	(50,677)
Income taxes payable	7,632	1,118
Realized (gains) losses on sale of marketable securities	1,578	(2,310)
Other - net	(1,576)	1,112
Net cash provided by (used in) operating activities	28,259	(1,546)
Cash flows from investing activities:		
Proceeds from maturity of fixed maturities	1,959	2,191
Proceeds from sale of fixed maturities	1,207	67,728
Purchase of fixed maturities	(21,303)	(69,430)
Proceeds from sale of equity securities	1	1,663
Purchase of equity securities	(1,201)	(5,056)
Payments received on mortgage loans on real estate	1,215	587
Mortgage loans on real estate originated	(1,953)	(2,120)
Purchase of real estate development assets	(213)	(2,000)
Payments received on collateral notes receivable	18	8
Collateral notes receivable originated	(85)	(319)
Proceeds from sale of real estate development assets	500	-
Proceeds from sale of real estate acquired by foreclosures	213	229
Purchase of property and equipment for Company use	(831)	(402)
Proceeds from sale of property and equipment	23	13
Net cash used in investing activities	(20,450)	(6,908)
Cash flows from financing activities:		
Payments of notes payable	-	(1,663)
Repurchase of common stock	-	(5)
Net cash used in financing activities	-	(1,668)
Increase (decrease) in cash and cash equivalents	7,809	(10,122)
Cash and cash equivalents at beginning of period	6,935	26,967
Cash and cash equivalents at end of period	$ 14,744	$ 16,845

The accompanying notes are an integral part of these financial statements.

The Commerce Group, Inc.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. The financial information has been prepared on a basis consistent with the accounting principles reflected in the audited consolidated financial statements for the year ended December 31, 1991. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to the Securities and Exchange Commission rules and regulations, although the Company believes the disclosures which have been made are adequate to make the information presented not misleading.

2. The information furnished includes all adjustments and accruals consisting only of normal recurring adjustments which are, in the opinion of management, necessary for a fair presentation of results for the interim periods. Certain 1991 account balances have been restated to conform to the current years' presentation.

3. The consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission.

4. Neither the results of the three months ended March 31, 1992 nor comparison with the corresponding three months ended March 31, 1991 should be considered indicative of the results which may be expected for the year ending December 31, 1992.

5. During the first quarter, the Company recognized income before Federal income taxes of $15,832,000 ($10,449,000 after Federal income taxes) due to agreements signed during 1991 for the transfer of business to the Company of six companies withdrawing from the Massachusetts Private Passenger Auto Insurance Market effective January 1, 1992 (see page 9).

   The six companies were: New Hampshire Insurance Company (automobile and other personal lines); Utica Mutual Insurance Company; Home Insurance Company; The Continental Insurance Company; American Hardware Insurance Company; and, the Providence Washington Insurance Company.

The Commerce Group, Inc.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

6. Disclosure of supplemental cash flow information:

	Three Months Ended March 31,	
	1992	1991
Cash paid during the period for:		
Federal and state income taxes	$6,386	$3,780
State premium and related taxes of insurance subsidiaries	4,240	4,656
Interest	-	34
Non-cash operating and investing activities:		
Real estate acquired by foreclosure	3,623	1,362
Proceeds from sale of real estate development assets	118	-

The Commerce Group, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Three months ended March 31, 1992 compared to three months ended March 31, 1991

Net premiums written during the first three months of 1992 increased $43,545,000, or 34.5%, as compared to the same period in 1991. This increase was attributable to an increase in motor vehicle business of $44,619,000, or 39.1%, offset by a decrease in lines of business other than those related to motor vehicles. The increase in net premiums written in the motor vehicle line of business reflects the Company's continuing strategy in response to the reforms to the Massachusetts residual market mechanism, the pool of risks that insurers cede to The Commonwealth Automobile Reinsurers ("C.A.R."). The Company's intent is to increase its voluntary writings to the levels necessary and to write the types of business which will serve to mitigate any adverse impact which these rules and subsequent rule revisions would otherwise have on the Company.

Insurance premiums earned in the first quarter of 1992 increased $21,210,000, or 32.6%, over the same period in 1991. Motor vehicle premiums earned increased $22,416,000, or 44.5%, as a result of increases in 1991 and 1992 net written premiums and the 1991 and 1992 average increase in the private passenger automobile insurance rates of 6.8% and 6.9%, respectively.

Net investment income increased $1,636,000, or 22.4%, compared to the first three months of 1991, principally as a result of the following investment portfolio changes since March 31, 1991: a 42.3% increase in fixed maturities and an increase in excess of 100% in equity securities. Annualized net investment income as a percentage of total average investments was 7.9% during the three months ended March, 1992 as compared to 9.3% during the same period in 1991.

Realized investment losses totalled $1,578,000 during the first three months of 1992 as compared to realized gains of $1,230,000 for the same period in 1991. The realized losses in the first quarter of 1992 were primarily due to an increase in the allowance for possible loan losses. The realized gains in 1991 were primarily the result of sales of Government National Mortgage Association mortgage - backed bonds during the first quarter with the intent of repositioning the fixed maturity portfolio due to the impact of existing market conditions.

Losses and loss adjustment expenses incurred as a percentage of insurance premiums earned ("loss ratio") on a statutory basis, decreased to 61.0% for the three month period in 1992 as compared to 65.8% for the same period in 1991. The lower 1992 three month ratio was due to current year premium volume increases combined with the 1992 automobile rate increases and the impact of favorable claims experience.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Underwriting expenses on a statutory basis increased by 43.6% during the first quarter of 1992 compared to the same period in 1991. As a percentage of net premiums written, underwriting expenses were 24.6% during the first quarter of 1992 compared to 23.0% during the first three months of 1991. The increase in underwriting expenses was primarily impacted by the increase in net premiums written.

During the third and fourth quarters of 1991, the Company signed agreements (effective January 1, 1992), with six C.A.R. member companies, utilizing a C.A.R. Rule provision that was introduced in 1991. The change in regulations was initiated by Governor Weld's Administration, Secretary of Consumer Affairs Gloria Larson and Insurance Commissioner Kay Doughty, allowed companies who wished to leave the Massachusetts private passenger auto insurance market, to arrange for the transfer of that business to another carrier without the regulatory wrangles, expense or forfeiture of their licenses that were required under the previous regulations. The Company projects that these arrangements could increase the Company's 1992 business by as much as $25,000,000.

The six companies were: New Hampshire Insurance Company (automobile and other personal lines); Utica Mutual Insurance Company; Home Insurance Company; The Continental Insurance Company; American Hardware Mutual Insurance Company; and, the Providence Washington Insurance Company. The aggregate volume of business which the Company has agreed to write for the six companies totals approximately 30,000 policies, and would increase the Company's market share of Massachusetts auto insurance business by about 1%, from 12.2% to 13.2%. Under the agreements signed with the companies, the Company has agreed to write business generated by those companies' agents, although the agents have the option to place it with any company that their agency represents.

In consideration for taking on these companies' books of business, the Company received a one time net cash payment totalling $15,832,000. This resulted in a first quarter after tax income of $10,449,000 or $1.11 per share.

Net earnings increased $12,682,000 during the first three months of 1992 as compared to the same period in 1991 as a result of the factors mentioned above.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Liquidity and Capital Resources

The focus of the discussion of liquidity and capital resources is on the Consolidated Balance Sheets on page 3 and the Consolidated Statements of Cash Flows on page 5. Stockholders' equity increased by $28,301,000, or 15.6%, during the first quarter of 1992. Growth stemmed from $23,548,000 in net earnings combined with an increase in net unrealized gains on equity securities of $4,753,000. Total assets at March 31, 1992 increased by $148,549,000, or 25.9%, to $722,392,000 as compared to total assets of $573,843,000 at December 31, 1991. The increase in total assets was primarily due to cash provided by net premiums written and net investment income during the first quarter. The majority of this growth was utilized by increases of $46,746,000, or 80.5%, in premiums receivable, $53,593,000 in receivable from reinsurers and $25,295,000 in invested assets. The Company's bond portfolio is comprised of Government National Mortgage Association mortgage-backed bonds (38.6%) and municipal bonds (61.4%).

Mortgage loans on real estate increased $12,271,000, or 20.9%, during the twelve month period ended March 31, 1992 as compared to an increase of $3,081,000, or 5.5%, during the twelve month period ended March 31, 1991. The growth in mortgage loans was due to the downward trend of interest rates, which caused many homeowners to refinance their mortgage loans with the Company. The Company believes that having its entire mortgage loan portfolio on real estate located only in Massachusetts affords certain advantages through concentrated geographic marketing strategies. The ability and willingness of residential and commercial borrowers to honor their repayment commitments is generally dependent upon the level of overall economic activity and real estate values within Massachusetts.

A significant percentage of the Company's mortgage portfolio is comprised of loans to borrowers who do not qualify for conventional bank financing. Management does not believe that this fact poses any material risks to its operations, liquidity or capital resources due to its policy of only lending up to 80% of the appraised value of any collateralized real property in addition to the careful underwriting procedures which are employed before loans are committed to. Loans on which contractual payments, or parts thereof, are more than ninety days past due totalled $9,610,000 and $7,309,000 at March 31, 1992 and 1991, respectively. The Company's emphasis, since 1989, has been on the origination of first residential mortgage loans and is evidenced by the fact that approximately 75% of the mortgage portfolio matures after the year 2010 and in the concentration of loans which are less than five years old. Approximately 63% of the loan portfolio is made up of first residential loans.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The Company has shifted a significant portion of its energy to the origination of secondary market quality residential loans. The Company originates these loans and processes them according to FNMA guidelines. After loans have closed, the Company sells these loans without recourse to secondary market investors, and is paid fees for its services. The Company does not service these loans. The Company anticipates that these activities will account for a majority of its mortgage business transacted during 1992.

The Company's liabilities totalled $512,617,000 at March 31, 1992 as compared to $392,369,000 at December 31, 1991. The $120,248,000, or 30.7%, increase was comprised primarily of a $13,259,000, or 5.8%, increase in losses and loss adjustment expenses and an increase of $83,471,000, or 67.2%, in unearned premiums and a $23,518,000 increase in all other liabilities. The primary reason for the changes in these liabilities was the normal increased first quarter level of personal automobile insurance business which the Company voluntarily wrote with the intent of mitigating any adverse impact of the C.A.R., rules which took affect during 1990, and subsequent revisions.

The primary sources of the Company's liquidity are funds generated from insurance premiums, premium finance fees, net investment income and maturing of investments as reflected in the Consolidated Statements of Cash Flows on page 5.

The Company was provided net cash from operating activities of $28,259,000 in 1992 as compared to the utilization of $1,546,000 in 1991. These cash flows were primarily impacted by the Company's increased first quarter writings of voluntary personal automobile insurance in response to the previously mentioned change in C.A.R. rules. The implementation of the Company's strategy with respect to these new rules impacted voluntary writings, claims and the net amounts due to reinsurers.

The net cash flows used in investing activities were primarily the result of net increases in fixed maturities, equity securities and mortgage loans. Investing and financing activities were funded by the cash provided by operating activities during 1992 and 1991.

Cash flows used in financing activities totalled $0 in 1992 and $1,668,000 in 1991.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The Company's funds are generally invested in securities with maturities intended to provide adequate funds to pay claims without the forced sale of investments. At March 31, 1992, the Company held cash and cash equivalents of approximately $14,744,000. These funds provide sufficient liquidity for the payment of claims and other short-term cash needs. The Company relies upon dividends from its subsidiaries for its cash requirements. The ability of certain of these subsidiaries to pay cash dividends is restricted by contract and Massachusetts law. Any insurance subsidiary may pay such dividends as the Board of Directors may consider prudent out of any surplus remaining after deducting any non-performing assets, as well as any interest due and unpaid on any company property.

The Company's fixed maturity investments are carried at amortized cost, and as of March 31, 1992, the market value of the fixed maturities exceeded book value by $5,767,000. It is the Company's intention to hold its securities until maturity, although periodic sales are made from these investment portfolios to manage risks, including credit related concerns, matching of asset and liability cash flows, and to optimize tax planning.

Industry and regulatory guidelines suggest that the ratio of a property and casualty insurer's annual net written premiums to statutory policyholders' surplus should not exceed 3.00 to 1.00. The Company's statutory premiums to surplus ratio was 2.21 to 1.00 and 2.30 to 1.00 for the twelve months ended March 31, 1992 and 1991, respectively.

EFFECTS OF INFLATION AND RECESSION

The Company generally is unable to recover the costs of inflation in its automobile insurance line since the automobile premiums it charges are subject to state regulation although some form of competitive rating process may come into existence in the future. The remaining premium rates charged by the Company are adjustable only at periodic intervals and require state regulatory approval. Such periodic increases in premium rates may lag far behind related cost increases. Recessions will also have an impact upon the Company, primarily through the policyholders election to decrease non-compulsory coverages afforded by the policy which should be offset by decreased claims activity and decreased driving activity.

To the extent inflation and recession influence yields on investments, the Company is also affected. As each of these scenarios affect current market rates of return, previously committed investments may rise or decline in value depending on the type and maturity of investment. Inflation and recession also affect the Company's mortgage investments by impacting the customer's ability to qualify for mortgage financing, their ability to meet monthly payment schedules and by forcing varying interest rates to remain competitive in the market.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Inflation and recession must also be considered by the Company in the creation and review of loss and loss adjustment expense reserves since portions of these reserves are expected to be paid over extended periods of time. The anticipated effect of economic conditions is implicitly considered when estimating liabilities for losses and loss adjustment expenses. The importance of continually adjusting reserves is even more pronounced in periods of changing economic circumstances.

Over the past few years, the Company has felt the pressure of increased claims costs and operating expenses as the result of both inflationary and recessionary conditions. The longer a claim takes to settle, the more significant the impact of inflation and recession on final settlement costs.

The Company expects the effects of recession, as outlined above, to continue in 1992 although management is of the opinion that such recession will not have a material effect on future operating results.

PART II - OTHER INFORMATION

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Form 8-K, dated February 7, 1992, reported on the transfer of business to the Company from six companies withdrawing from the Massachusetts Private Passenger Automobile Market (see Note 5 on Page 6 and Page 9).

(b) Form 8-K, dated March 23, 1992, reported that the Board of Directors of the Company authorized the purchase of up to 400,000 shares of its common stock on the open market or in privately-negotiated transactions.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE COMMERCE GROUP, INC.

Gerald Fels
Executive Vice President and Treasurer
(Chief Financial Officer)